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OFFICE OF CHINESE AFFAIRS
DEC 14 1955
DEPARTMENT OF STATE

TS AUTH. Introductory Note: When this Embassy receives its authorized complement of two political officers, it is hoped to inaugurate a discharge of monthly political reports. Meanwhile, a review of events during the above critical period of slightly more than one calendar quarter is being submitted.

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President Truman's courageous announcement of June 27 in support of Korea and with the effect of neutralizing Formosa began a new chapter in this island's history. The life of Free China, which previously seemed to be in danger of immediate extinction, was given new hope at least for the duration of the Korean fighting. For the new lease of life, and for the positive stand taken by the Free World against Communist aggression in the Far East, there was almost universal gratification in Formosa.

Gratification among various elements on the island, however, did not stem from a common vision of the goals to which this new course of action by the United Nations, and particularly by the United States, was expected to lead. The Government and most other mainlanders hoped that it would bring a strengthening of the position of Nationalist China in the international scene and American backing for their eventual return to the mainland of China. Events early in the period under review were interpreted by this group as leading in the direction of their desires. Subsequent pronouncements of United States policy and decisions taken by the United Nations, on the other hand, were welcomed by natives of the island as promising international consideration of the "question of Formosa", which they anticipated would lead either to a plebiscite resulting in independence or at the very least to continued rule by a chastened Chinese Nationalist Government radically revamped through international pressure. The Government took the position that there was no reason whatever for any international consideration of the question of Formosa, but as such action appeared more and more likely, moderate elements in the Government gave increased attention to preparation for its coming by advocating more basic and genuine internal reform.

The celebration on October 10 of the anniversary of the founding of the Republic of China was an occasion for stock-taking which reveal some encouraging progress despite the familiar obstacles of one-party rule and clique dissensions associated with the Generalissimo's

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traditional methods of retaining power. Despite fluctuations in the hopes of these two chief elements on Formosa during the period from June 25 to October 10, the "Double Ten" served to point up the fact that on this anniversary there was renewed hope for the continued existence of Free China. There were even indications that the aspirations of many in both groups were not necessarily irreconcilable. The more enlightened elements appeared somewhat stronger at the end of this period than at the beginning. For the most part, however, they were convinced that their hope of genuine accomplishment depended upon encouragement from forces outside Formosa, and probably only through action no less decisive than that which ushered in the period dealt with in the present review. Their fear was that they and what they represent might go down under well-intentioned blows aimed at those reactionary elements with whom they were associated as patriotic Chinese, but whom they oppose on issues other than that of Communism.

I. NEUTRALIZATION OF FORMOSA

The Seventh Fleet

On June 27 the President announced the initial support which the United States was prepared to offer in backing the decision of the Security Council to oppose aggression in Korea. His statement, in addition to specifying the assistance to be rendered to the United Nations in the execution of its resolution, also outlined the action taken by the United States in assigning to the United States Seventh Fleet the dual mission of preventing an attack on Formosa and seeing that the Nationalists ceased offensive operations against the mainland. It went on to indicate, however, that the future status of Formosa must await conditions which would permit a peaceful settlement. A message from the United States Government addressed to President Chiang, and delivered by the American Charge d'Affaires orally and in the form of an aide memoire on the evening of June 27, explained the American action and expressed confidence that the cooperation of the Chinese Government would be forthcoming. The message did not request a formal reply, but the Chinese responded with an aide memoire of June 29, accepting the conditions imposed in a manner calculated to make the question appear to be one of mutual agreement.

The presence of the Seventh Fleet was a source of great relief to the people of Formosa, who had been expecting a Communist invasion at any moment. This feeling of relief, plus hearty approbation of the more positive stand adopted by the Free Nations against Communism in the Far East, caused the average informed Chinese to accept without much concern the fact that the United States had taken drastic action with respect to Formosa without prior consultation with the Chinese Government. The statement that "The Seventh Fleet will see that this is done", however, was considered by many Chinese as unnecessarily brusque.

Government circles took a somewhat more serious view of what they regarded as rather cavalier treatment of the Chinese Government by the United States. They felt that their Government had lost face in the eyes of its citizens and of the world as a result of the unilateral step taken by the American Government, and also noted that the communication announcing the decision of the United States, although addressed directly to the President of China, was not a message from the American Chief of State. The complaints which soon followed the effect of the Seventh Fleet's mission in preventing any further action

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by the Nationalists to intensify with the continued build-up of Communist military strength on the mainland in preparation for an attack on Formosa, and increased talk of a future counter-offensive against the Communists were in part, and perhaps in large part, for local and foreign public consumption. They were evidences of a defensive psychology engendered by a heightened sensitivity to questions of sovereignty. This line taken by Chinese officials in public pronouncements tended to obscure the fact that there was at all times sincere appreciation of the presence of the Seventh Fleet in Government circles, and no responsible Chinese was known to have suggested that its role of protection was other than a net asset to their cause. This does not mean that the Nationalists were not genuinely disturbed by the unhampered and large-scale military construction and training programs on the mainland, and by the lifting of the coastal closure and consequent freedom of entry of ships into Communist ports. Propaganda which pointed up these facts was heartfelt, while that related to a Nationalist "return to the mainland" was privately admitted to be a necessary expedient for morale purposes but unrealistic as a program for the foreseeable future. (See Embassy despatch 58 of October 17, 1950.)

Both as a matter of prestige and as a practical measure, the Chinese Government early sought to establish close liaison with the Seventh Fleet. It was disappointed that its overtures in the spirit of brothers-in-arms proved to be inconsistent with the Fleet's mission. Even the degree of liaison demanded by practical considerations, however, was hampered by the difficulty of cooperation between the branches of the Chinese Armed Services themselves and by the traditionally independent attitude of those services in complying with foreign policies as laid down by the Chinese Ministry of Foreign Affairs. Vice Admiral A. D. Struble, Commander of the Seventh Fleet, arrived in Formosa on July 8 and initiated talks on the operational level with representatives of the Chinese Navy and Air Force. A senior officer of the rank of captain was detached to assume technical liaison responsibility between the Seventh Fleet and the Chinese forces, establishing his office with the Embassy's Naval Attache. Rear Admiral Harry B. Jarrett, Senior Military Attache, was given general responsibility for maintaining liaison between the Seventh Fleet and the Chinese authorities in his original orders and again on August 17 and for military aid liaison (MDAP) on October 27.

Among the problems raised by the American neutralization of Formosa was that of certain islands along the China coast where the Nationalist Government had maintained positions and which had been under frequent Communist attack. The most important of these was Chinmen Island (Quemoy) near Amoy harbor. This question was mentioned in the reply of the Chinese Government to the American aide memoire of June 27; it was discussed by the Chinese Ambassador with the Department on June 29, and covered in detail by General Chou Chi-jou in a letter to General MacArthur on July 21.

The Chinese Government stated on July 13 that information from "very reliable sources" led to the belief that the Chinese Communists were preparing to attack Chinmen or Formosa at an early date, and requested that the United States agree to Nationalist bombing of airfields and troop concentrations on the mainland as a necessary defense measure. The American reply of July 14 was that such action would be contrary to the President's directive of June 27.

Since June 25 there have been intermittent exchanges of fire between Communist mainland batteries and Nationalist artillery on

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Chinmen. The Chinese Government was informed in July '51 that replying to Communist-initiated flying visits by the United States was defensive in character and therefore legitimate. The United States Government stated on July 24 that it had no objection to Nationalist reconnaissance flights over the mainland of China, and on August 4 that visit and search of Chinese (Nationalist) registered vessels on the high seas would be permitted. Nationalist military action would be warranted, however, only as a measure of self-defense against vessels discovered to have the "hostile intent" of carrying military action to Formosa or the Pescadores, as evidenced by a momentary military complement and evident destination of the Communist vessels.

A variant of Nationalist reconnaissance flights was recorded on several occasions when leaflets and bags of rice were dropped from transport planes at several points on the mainland. These and other purely reconnaissance operations by the Chinese Air Force appear to have provoked no hostile action, but a number of incidents involving ships caused protests from the British Government. On one occasion a Nationalist aircraft machine-gunned a British freighter; this appears to have been a case of mistaken identity and the Chinese Government apologized. Most of the incidents, however, involved small coasting vessels which recently had been transferred from Chinese to British (Hong Kong) or Panamanian registry without the legal requirement of canceling their Chinese registry having been fulfilled. Several such ships were intercepted by the Chinese Navy while enroute to Communist-held ports. By October 10, however, only one vessel in which the British had expressed interest was still being held by the Chinese Government and it was to be released shortly.

The importance with which the Chinese Government viewed the presence of the Fleet was evident from the prompt reaction by the Foreign Minister to the President's statement in his August 30 press conference that it would be unnecessary to keep the Seventh Fleet in the Formosa Straits once peace was restored in Korea. The memorandum which the Foreign Minister handed to the American Charge d'Affaires on September 2 had been drafted at a cabinet meeting the previous day; it pointed out that the Chinese Government had complied to the best of its ability with the American demand to cease military operations against the mainland, and had assumed that there would be consultation between the American and Chinese Governments in the event of any change in the arrangement agreed to on June 29. Opportunity was again taken to point out that the Chinese Communists continued to build up enormous strength on the mainland, with a continuous flow of Soviet material aid and technical assistance, while the Nationalists had as yet received no new United States military aid under the announced program of "selected" military assistance. Government circles claimed that to speak of "neutralization" under such conditions was misleading.

General MacArthur's Visit

The sudden visit of General MacArthur to Formosa on July 31 - August 1 was widely interpreted as a step toward abandonment of the policy of neutralizing Formosa. MacArthur's views with respect to the strategic importance of the island were well known, and his arrival was widely considered among Chinese to be a logical one from the international standpoint in view of proven Communist aggression in Korea and Chinese Communist approbation and support of that aggression. The flush of well-being caused by the visit of MacArthur and fifteen officers of his staff dissipated to a great extent the injured feelings resulting from the UN Commander's refusal to accept the Chinese troops

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offered one month previously for service in Korea. The announcement about the same time of the assignment of a Career Minister as American Charge d'Affaires, and of a Rear Admiral as Senior Military Attache, was at first taken as additional indication that United States policy toward Formosa had undergone radical change, but enthusiasm was soon dampened by an official statement in Washington that the assignment of Mr. Rankin was routine and that no change was expected in relations with the Chinese Government. However, the visit of MacArthur, his dispatch to Formosa of a military "Liaison Group" of some 70 Americans under Major General A. P. Fox, and the appearance of jet planes on and over the island, provided an unquestioned boost in morale, the effects of which persisted to an appreciable extent after subsequent disenchantment as to the character of United States policy.

The net effect of developments during the weeks following June 27 was to give hope to the Chinese Government that the force of circumstances would not permit the United States to write off Formosa a second time but there was still no great confidence in American intentions as such. It may be questioned also whether the American methods of approach during this period did not appear to substantiate the impression in the public mind of fundamental divergences between United States diplomatic and military authorities, thereby encouraging the Chinese Government in its proclivity to play SCAP against the Department of State, besides doing some violence to the "chain of command" conception. Embassy officials, including Service Attaches, were relegated to a distinctly subordinate place during the MacArthur visit; in fact, they were almost completely ignored. The Chinese Government was informed of the impending visit some time before the Embassy received any notification, and no Embassy representative was invited to any of the two-day consultations except for the attendance of the Naval Attache at one rather routine briefing. Such was the unpropitious beginning for the Senior Military Attache who had just come to Taipei and it is fortunate that the new Charge d'Affaires arrived after this episode. Following MacArthur's departure the Chinese Foreign Minister had the task of persuading the Generalissimo and various military elements that regular and correct relations should be re-established and maintained with the United States Government through its accredited representatives in Taipei, and by October there were evidences of substantial progress in this respect.

The Far East Command Survey Group

The FEC "Liaison Group" began its work on August 5, and within forty-eight hours had telegraphed to Tokyo a list of the most urgent ammunition requirements of the Chinese forces. On August 12 a more general preliminary report was forwarded and the complete report was finished about August 25.

On August 16 the name was changed from "Liaison" to "FEC Survey Group", a move which caused some concern in higher Chinese Government circles. After August 25 only about 12 Americans remained in Taipei under Brigadier General John G. Conklin, and these also were withdrawn in October. Although its original mission of preparing a report had been completed, the departure of all of MacArthur's representatives gave rise to uneasiness in Chinese circles in the absence of any official explanation as to the significance of such withdrawal, and rumors persisted for some time to the effect that all United States air and naval units were to leave Formosa in anticipation of the prospective United Nations investigation of "aggression" against the island. More important in a practical sense was that the representatives

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from ICAP came and went without anyone in Formosa, Chinese or American, learning what their findings were, or which of their recommendations were approved by SCAP and forwarded to the Defense Department or to the Joint Chiefs of Staff. Moreover, as of the date of this despatch, only fragmentary information regarding one prospective shipment of ammunition from the United States, and the possibility of receiving a limited amount of radar equipment, has been made known to the Embassy's large staff of Service Attaches, whose responsibilities are presumed to include some part in the extension of "selected" military assistance to the Chinese Government. Systematic planning by the Chinese Armed Forces and the Embassy's Attaches therefore remains in abeyance more than four months after the June 27 policy of neutralizing Formosa was announced. Fortunately the Communists did not attack in August or September, as many had expected. Had they done so in strength, and effected landings which the Seventh Fleet presumably would have been unable to prevent entirely, they would have found the Nationalist Army short of ammunition, and the Chinese Air Force lacking the essentials to put more than perhaps 100 planes into the air.

II. THE FUTURE OF FORMOSA

Even more important in the view of the Chinese Nationalist Government than the developments connected with the neutralization of Formosa were the implications of that portion of the President's statement of June 27 dealing with the future settlement of the question of Formosa, and the subsequent United States and United Nations statements and decisions bearing on that delicate and controversial issue.

July -- For several months Formosa had undergone a tense period of waiting -- waiting for the expected Communist invasion of the island. The sudden turn of events in the last days of June ushered in another period of waiting -- this time for the clarification of numerous questions associated with the American policy of neutralizing the island so that its future might be decided by political instead of military means. The rather grim atmosphere of the previous period was for a time largely supplanted by growing confidence in the future of Formosa, which continued to mount in all circles during July. Most native Formosans hoped for direct intervention in the affairs of the island by the United States or the United Nations, leading to some form of autonomy. Private citizens among the mainlanders and lower government officials, feeling that their lives and remaining possessions had been given new security and that their careers again offered some promise for the future, had rising hopes that the United States would in some way make it possible for them to return to their homes. This hope was shared by the Armed Forces, who saw no acceptable future for themselves on Formosa. "Third Force" candidates saw a chance of riding to power through American intervention in internal affairs. Even higher government officials felt more reassured with respect to United States intentions. They were inclined to feel that if the United States did not actively intervene internally on the island, they would ultimately be able to return to the mainland. This feeling was augmented by the belief that the outbreak of the third world war was imminent, and that the Nationalist forces would then be recognized as a valuable asset by the Free Nations.

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...one else" agreed ... and their mission conference was ...

... The month of September, following the decision of the Security Council on August 24 to place the "complaint of armed invasion of Formosa" on the agenda, was characterized by growing resignation to the prospect that the island's problems were to be considered as of international concern. This decision, however, was held by the Chinese Government to be at the very least a Communist propaganda victory. In view of the fact that the Chinese Government had spent vainly since last September to bring about United Nations consideration of Soviet aggression against China, the average mainland Chinese was inclined to share the official viewpoint. Most native Formosans, however, continued to pin their hopes on United Nations consideration of broader aspects of the Formosan problem.

... September 19 instructed the Embassy to inform the Ministry of Foreign Affairs of the American position that questions regarding Communist charges of aggression against Formosa should be handled in the United Nations Security Council, while the determination of the long-term status of the island could best be handled by the General Assembly. These instructions pointed out the importance to the Nationalist Government and the United States of international support both for maintenance of the truce status (especially during the period of hostilities in Korea) and later for a pacific settlement of long-term problems with respect to Formosa.

... Chinese cabinet and other officials was held in the evening of September 19 to discuss the implication of the American stand described above. On the following morning the Foreign Minister handed to the American Charge a memorandum stating that the Chinese Government agreed the referring of the case to the General Assembly might be deferred, and asking that information concerning the substantive part of the proposal might be made available to the Chinese Government. He further stated that the Chinese Government had in the past consistently opposed discussion of the ultimate status of Formosa in any organ of the United Nations, and that it would continue to do so.

The Foreign Minister expressed his desire to cooperate with the United States, and stated that he did not object in principle to the proposed American course. He said that there was no opposition at the previous night's meeting to moves calculated to gain international support for the truce status of Formosa during Korean hostilities. He explained, however, that the stand being taken by the Chinese Government was the only course open to it, in the absence of more concrete indications as to what the United States hoped to accomplish specifically, by directing questions involving Formosa into United Nations channels. The Foreign Minister apparently had received no word from Washington for concerning the American plans, and the Department's official telegrams containing the instructions referred to reached the Embassy on the same day the proposal was presented by Secretary Acheson to the United Nations.

... the outcome of the projected Formosan investigation, and the Chinese to expect the also and unpredictable results of the Chinese Government by the United States, brought ... and ...

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The outcome of the Foreign Ministers' Conference held in New York September 13-17, in which the United States, Great Britain and France participated, was unambiguously extolled by the Chinese Government. The decision to hear complaints of the Chinese Communists at the United Nations had been regarded as a foot in the door for the Communists, and there appeared to be genuine concern in Chinese official circles that the United States might yield to British pressure at the Foreign Ministers' Conference and forego any opposition to the seating of a Red Chinese delegation in the United Nations. Appreciation was later expressed by Nationalist officials for the continued support in the international body which it received from the United States.

Although disturbed by uncertainties connected with its own fate, the Chinese Government evidenced satisfaction over the increasingly strong stance taken by the United States against Communist aggression, especially in the Far East, as outlined during September in policy statements of American officials. Assistant Secretary, Askie Cleveland, address on September 9 and Secretary, Kenneson's television broadcast on the following day were viewed by Chinese officials as positive contributions to the definition of American policy in the Far East. Special importance was attached to Secretary, Kenneson's denial of charges that "we have written off Asia", to Askie's sharp point referring to continuation of economic aid and furnishing of selected military assistance, and to his first point which was interpreted by the Chinese as United States approval of some kind of Far Eastern security pact.

A number of foreign and Chinese informed observers expressed the opinion that once the United Nations inquiry was accepted as inevitable, suspicion of the investigation and indications that friendly support to the Chinese government would be forthcoming at the time to whatever extent it seemed to be deserved might help to promote internal reforms at Peking. At the same time it was felt that the "Japan complex" of the Chinese government might be prevented from developing to a paralyzing stage. Many observers believed that the prospect of investigation began, over the heads of the Nationalists contributed appreciably to the revival of the tax structure effected during September, to the fairness of the island-wide elections going on at the time, and to the promise (not yet fulfilled) of eliminating extra-legal arrests.

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It is noted that the above has been said and written by individuals on far less
 authority than the informant involved in the communist movement since
 the removal of the island. Certainly, the above data could be useful

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Registration of KMT Party members was begun in September, apparently in an attempt to tighten party discipline. Anti-KMT elements were quick to class this with continued widespread arrests of alleged Communist agents and the concurrent institution of "mutual guarantor" (similar to the pa-chia system on the mainland), legislation as further evidences of the Government's reliance on police state methods. Elements more sympathetic to the Government were inclined to view these moves as commendable precautions on the part of the Government in time of crisis and as entirely in accord with Chinese tradition. Even among this group, however, complaints were often heard that fear of arrest was common in intellectual and official circles, that mutual distrust was widespread in the armed forces, and that secret police were still on the increase. (During the period under review the number of secret service organizations working independently was reported by a top-ranking military officer as having increased from five to eight.)

In the middle of August the Executive Yuan announced measures for "rule of law" designed to stop illegal arrests. Since that time, of the several Government agencies empowered to make arrests, only the Police preservation headquarters was reported as continuing to make arrests without warrants and at least a semblance of evidence. The actual rate of arrests had reduced considerably by October, but fear of arrest remained widespread and every few days the press carried announcements of executions and imprisonments. A close watch on important overseas Chinese was also maintained through the Political Department of the Ministry of National Defense.

Leading representatives of two minority parties, the Democratic Socialist Party and the Young China Party, continued to maintain that their participation in the Government was a farce. Several Embassy contacts among these parties expressed concern over the complicity of the officials who had claimed "refugee to realize that in view of the arduous international consideration of the question of Formosa time may be wasted, not to mention time and perhaps for free China as well" unless the Government could make a realistic move to representatives of the Democratic Socialist Party made a direct plea to the Embassy on

September

... commands were carried out, satisfied with the elections for Councils, and the 12 members for each of the islands. Candidates were successful. Since the elections have been a considerable trend in the direction of united support of the Government on the part of some leading native persons. Word of these elections is also that such cooperation, in the absence of some public action in the ill, in temporary and predicted on the information that the British influence on the United States will at the proper time bring justice to order and free China." In any consideration of the complaints of native persons, however, it should be borne in mind that, after 50 years of efficient but scarcely democratic, rather colonial administration, no successor Government could have expected the people of this island, even one of their own.

[illegible]

There remains a large and important task which should not be neglected in developing conditions of business, and in keeping nationalities in the economic orbit, and that is the effort to bring economic relations to the new socialist world. When the new socialist bloc is formed, nationalities of various continents will be drawn into the economic orbit of the socialist bloc. This will be a great step forward in the economic relations of the world. It will be a great step forward in the economic relations of the world. It will be a great step forward in the economic relations of the world.

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Free China on its 39th birthday has had a year as free as
Switzerland; in fact, it was not very different. But areas of the
overlapped Continent, where Communism (barbaric to its own propo-
sitions), was making its most effective appeal, it was with all of its
selects possibly more stable economically, and politically, more peace-
ful and orderly, more anti-Communist and pro-American than any other
comparable nation. Now East Asia is ferment.

L. H. Hankin
Chicago, California 9, 10

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